

Manufacturing	Slovenian Economic Mirror	IMAD
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Selected indicators in manufacturing	In absolute terms			Growth rates, in %		
	June 2003	Jan-June 2003	Jan-Dec 2002	June 2003/ May 2003	Jan-June 03/ Jan-June 02	Jan-Dec 02/ Jan-Dec 01
Production volume ¹	-	-	-	-1.4	0.5	2.0
Average number of employees ¹	N/A	N/A	N/A	-0.3 ²	-1.8 ²	-2.8
Labour productivity	-	-	-	-1.1 ²	2.3 ²	4.9
Stock volume	-	-	-	-4.8	5.8	-2.0
Average gross wage, in SIT	207,324 ²	203,373 ²	194,100	0.6 ^{2,3}	1.8 ^{2,3}	1.7 ³
Producer prices	-	-	-	0.1	3.5	5.2
Producer prices / inflation	-	-	-	-0.2	-2.4	-2.1

Sources of data: SORS, AP; calculations by IMAD. Notes: ¹figures cover companies with 10 or more employees; ²figures for March 2002; ³real growth – calculated by the consumer price index; N/A – not available.

In June, manufacturing's production volumes fell by 1.4% over May despite the same number of working days. From January to June, production volumes rose by 0.5% compared to the same period last year. June's year-on-year rise was just 3.2% even though it had one working day more than June last year, or 5.3% of the working time. These developments influenced the **long-term trend**, which turned downwards by 0.2% in June after having stagnated for three months (according to the Tramo-Seats method).

Manufacturing's production trends can also be assessed by means of the business optimism/pessimism prevailing among the business community. We have compiled a picture on the basis of the **SORS' business trends survey** (see graph) which tries to determine the **phase of manufacturing's business cycle**. The horizontal axis shows the current business situation and the vertical one the expectations of the business sector for the next three to four months. A new combination of the two variables is added each month. Assuming that the business cycle moves regularly, the curve should follow a clockwise direction; when the current climate and business expectations are positive (i.e. the quadrant in the upper right corner), manufacturing's economic trend is positive, however, when these two variables are negative (i.e. the quadrant in the lower left corner), recession tendencies appear. Manufacturing's position in the summer months of 2003 is in the upper left quadrant. The indicators showing the current business situation are negative, whereas business expectations are positive and on the upturn. In July, 17.8 percentage points more surveyed companies believed that the current business state of affairs was below the normal level than the opposite; 9.5 percentage points more managing directors expected an improvement in the business climate over its worsening in the next three to four months. The curve showing the combination of both variables only roughly followed a clockwise direction in both 2003 and the entire period under observation; however, it can still be seen that the trend moved right and upward, indicating an upward phase in manufacturing's economic activity. These movements in business sentiment are very similar to recent changes in the business climate in Germany, Slovenia's main trading partner. According to figures from the IFO institute from Munich (<http://www.ifo.de/pls/portal130/ifo>), the business climate in Germany's business sector (manufacturing, construction, wholesale and retail trade) improved slightly in July for the third month in a row, however, its level is still relatively low and placed in the quadrant indicating economic recession (see also p. 4).

Graph: **Business climate in manufacturing (January 2000-December 2003, seasonally adjusted data)**

